



Oral Testimony: California Performance Review Commission

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To the Co chairs and Commission members:

I appreciate the opportunity to speak on behalf of the Public Employment Services Authority and CPS Human Resource Services.

I am Kelly Montgomery and I stand before you today in a dual role as Executive Director of the Public Employment Services Authority (PESA) and as a Senior Manager with CPS Human Resource Services. CPS is a California Joint Powers Agency providing the full continuum of human resource services to public agencies and non-profits throughout the nation. PESA, also a Joint Powers Agency, was formed for the purpose of providing a mechanism for identifying, qualifying and placing retired public executives in interim assignments with public agencies.

The Personnel and Performance Management Team is to be commended for its comprehensive handling of a very complex discipline and for making recommendations to address perhaps the most critical issue facing state government: workforce planning and

management. As a state, our success in handling the workforce issues confronting us will determine our success in maintaining fiscal stability, quality of life and quality of service delivery for generations to come. I would like to focus today on three key themes from the recommendations:

1. Developing a Performance Management Strategy
2. Addressing the Challenges of the Aging-and-Retiring Workforce
3. Developing an Integrated Strategy for Workforce Planning

Developing a Performance Management Strategy

It is appropriate that the workforce management issues are discussed in the context of total performance management. It is only through a comprehensive program of strategic planning, budgeting and performance management that we as public employees are able to garner and sustain the trust of the public. The issue of public trust is one of the rapidly growing challenges facing government in the execution of its duties. The public's level of trust in government is inversely proportional to the size of the governmental agency. Research tells us that the building blocks of public trust are

- Accountability
- Two-way communication
- Responsiveness
- Service delivery
- Ethical decision making



When properly executed, a performance management program founded on a shared strategic vision improves organizational accountability, allows better public understanding of priorities, documents service delivery and validates decision-making and resource allocation. And, while the size and complexity of the state will almost never allow the ideal two-way communication, the Team's recommendations do provide for ongoing communication with the public regarding goals, measures and accomplishments. With improved technology, a future enhancement could include public input on key issues and priorities.

With better public trust and with the efficiencies likely to result from these recommendations, public agencies will be able to more readily garner support for service initiatives, realize a better perception of state employees and agencies, and find goals achievement facilitated.

Given the size and complexity of state government in California, the task of undertaking a truly integrated performance management initiative appears daunting. We support the recommendation of directing this effort from the Office of the Governor. While the effort would be directed from that office, it is critical that all stakeholders understand that a performance plan must be founded on a shared vision for the state. In implementation, it is important to identify a mechanism to allow input from the public, as well as other branches of state government and other statewide officeholders. Absent such an approach, the effort will not enjoy the buy in and support needed to assure success. This effort will and should include all employees of the state of California without regard to employment locations or distinctions.



Consistent with its commitment to improving human resource management in government, CPS partners with other human resource thought leaders to fund research and initiatives regarding workforce trends and best practices. The findings from one such study provide the foundation for that portion of my testimony today relating to The Aging Population.

Addressing the Challenges of the Aging-and-Retiring Workforce

From “The Aging and Retiring Government Workforce” Study conducted by the Center for Organizational Research, we have learned the following:

- Within the next five years, a growing percentage of state employees will become eligible for retirement.
- Topping the list with the highest percentage of retirement-eligible employees is the state of California with 49% of the workforce eligible for retirement. But this trend is evident nationwide with other states (Virginia, Oklahoma, New Jersey) showing more than a third of the workforce being retirement-eligible.
- Multiple factors have made government one of the first sectors to bear the brunt of an aging national workforce.

The fact that the government sector is at the forefront of two related trends that will ultimately affect many other sectors – a disproportionate number of older workers and many imminent retirements – can be explained by several factors. In the twelve jurisdictions profiled in our study, many, if not all, contributed to the current human capital crisis:

- Expanding the size of the workforce in the late 1960s and 1970s, in response to the mushrooming government programs. This spate of hiring created a bulge that has subsequently moved closer and closer to the high end of the age continuum. The majority of employees approaching retirement age were hired during this period.

- Periods of downsizing, such as the late 1980s and early 1990s, when jurisdictions cut back on hiring or stopped it altogether – a move that reduced the ongoing infusion of younger employees in the workforce. Many jurisdictions have also had one or more reductions in force. Since seasoned employees are more likely than newer (i.e., younger) ones to keep their jobs, such reductions further skewed the overall age distribution toward the upper end of the range.
- To trim budgets, jurisdictions may have instituted early-retirement programs to encourage their most seasoned (and highly paid) employees to leave the workforce. Depending on how this tactic is executed, it may exacerbate the “brain drain” problem if attention isn’t paid to the longer-term consequences, such as the knowledge and skills that are being lost.
- The declining appeal of public service is viewed as an important contributing factor, particularly among those concerned about the human capital crisis in federal and state government. According to the Partnership for Public Service, only one in ten recent Phi Beta Kappa graduates ranked the federal government as their first choice for an employer. Just one third of recent Kennedy School of Government graduates chose careers in public service, compared to 75% in 1980.
- Given the intensity of talent wars across all sectors for talent in some disciplines, human resource practices and policies have handicapped jurisdictions competing with the private sector for qualified employees. For example, application processes that are cumbersome and slow, civil service and merit system regulations that limit the selection pool, arcane job classifications, rigid compensation rules, and limited promotional opportunities – these and other idiosyncrasies of government employment have put it at a competitive disadvantage.
- Retirement programs that allow employees to retire earlier than typical private-sector policies, accelerating the impacts of a retirement wave.
- Retirement policies that are too inflexible to permit phased retirement.

- Reductions in training and development budgets, which, over time, have resulted in an inadequate pipeline of younger workers to replace older ones as they retire, particularly in leadership positions.

Workforce Planning: A continuum from recruitment to retirement.

The Team's recommendations are, again, supported by our research findings. To close the gap between future workforce supply and demand, jurisdictions need a coordinated action plan that may include all phases of the employee life cycle.

It is an easy, but erroneous conclusion: Faced with an aging workforce and an approaching wave of retirements, organizations need to “fix” the two end-points of the employee life cycle. Do something to slow or postpone some of those retirements. And begin recruiting younger replacements.

While these responses may be appropriate and effective, they are unlikely to be sufficient. Rather, the jurisdictions in our study that have committed themselves fully to addressing the challenges of an aging-and-retiring workforce employ a comprehensive human resource strategy. Such a strategy touches virtually every stage of the employee life cycle:

- Recruitment and selection
- Performance management
- Compensation and benefits
- Training and development
- Leadership development (including succession management, coaching and mentoring)
- Career management

- Retention
- Retirement

There is no single magic bullet that can overcome the government sector's aging-and-retiring workforce challenges. Our research suggests it will require a comprehensive strategy of multiple tactics, much as those suggested by the Performance Review Team.

Faced with unprecedented human capital challenges, jurisdictions may need to initiate structural changes. Some will be within their span of control and others will require negotiation, charter changes or new legislation. Some examples of such structural changes are:

- Changes to the retirement system, such as removing early-retirement incentives or penalties for working past retirement eligibility
- Changes to enable employees to choose phased retirement
- Changes to allow the jurisdiction to rehire its own retirees
- Changes to merit system or civil service rules regarding recruitment, selection, succession management and other processes.

Thought leaders on the topic of workforce planning suggest that, rather than attempt an analysis of the entire workforce with replacement strategies for all upcoming vacancies, agencies look instead at the following key strategies:

- **Re-think employee classifications** and anticipate changes in workforce skills requirements. Having a wide range of employees ready for needs as they arise is a far better goal than the traditional succession planning for individual positions.



- **Consider the changing workforce** and their employment lifestyle needs
- **Perform gap analysis** as well as external labor force trend analysis to focus replacement strategies only on those skills anticipated to be in short demand.

Conclusion

It is not possible to overemphasize the importance of integrated strategies, a comprehensive approach, partnering and collaboration and a shared vision for this effort to succeed. Given the intricacies of the state's policy funding and development process, it is imperative that the vision be a shared vision. Success will not be achieved if this is viewed as a standalone effort emanating from the Governor's Office. The challenge is vast, the import great and the hour late. We must all support this effort to assure that California has the best workforce in the nation to support the best lifestyle in the nation.

Thank you.